



## DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1010

MAR 15 2007

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
COMMANDERS OF THE COMBATANT COMMANDS  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION  
DIRECTOR, NET ASSESSMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Institutional Reform and Governance Actions to Critical Path (ACP)

Improving governance within the Department of Defense is essential. The Department needs to move toward a general management framework that provides clear and executable strategic direction for the current, mid and far term.

The Deputy's Advisory Working Group (DAWG) recently approved a series of six steps to move the Department toward governance success. These steps, referred to as ACP, are designed to meet desired objectives, while leveraging existing Department-wide efforts. Each ACP (attached) has a statement of expectation, specific actions to be undertaken, an established timetable, and a designated action lead (with supporting organizations). The Institutional Reform and Governance Co-leads, Ken Krieg and Lieutenant General Skip Sharp, shall continue to monitor these actions and report progress and issues to the DAWG.

Attachment:  
As stated



3/16/2007 3:32:53 PM

## ATTACHMENT

### ACTIONS TO CRITICAL PATH (ACP)

#### ACP 1—Strategic Direction

Statement of Expectation: The Deputy's Advisory Working Group (DAWG) will focus on establishing better strategic direction for FY 2010 by providing clear, top down guidance that describes assumptions, objectives, priorities and risk allocation. This guidance will minimize strategy re-interpretation and enable meaningful feedback.

#### **Establish Priorities for FY 2010 Planning Guidance**

- ☐ Propose a set of significant issues that will be used to frame strategic priorities for the FY 2010 planning cycle. Significant issues are those having the potential to dramatically shift current priorities, resource allocation and risk for the near, mid or far term.
  - Action Lead: PDUSD(Policy)
  - Supporting Organizations: Joint Staff, PA&E, and Components
  - Timeline: Significant issue candidates will be presented to the DAWG for decision in February 2007.
- ☐ Develop recommendations on how the Department should solve the selected significant issues chosen by the DAWG for FY 2010. Results of this effort will be incorporated into the FY2010 planning guidance.
  - Action Lead: PDUSD(Policy) to oversee, designate action lead based on subject of significant issues
  - Supporting Organizations: Joint Staff, PA&E, and Components Timeline: Alternatives should be framed and presented to the DAWG by mid-June 2007. Results will be incorporated in FY 2010 planning guidance in November 2007.

#### **Prioritize Capabilities and Gaps for FY 2010**

- ☐ Develop a process for establishing capability and capacity priorities and gaps for the near, mid and far term in accordance with existing strategic direction. Process will leverage existing force management analytical initiatives (e.g., Global Force Management Board, Analytical Agenda (including Operational Availability (OA) Analysis)); the capability gap and risk assessment processes; and the results of performance monitoring and assessment. The outputs of this process must rank all capabilities from high to low priority and consider level of sufficiency (capability and capacity) in each capability area. Capabilities should be identified at the appropriate Joint Capability Area level of detail not at the system solution level.

- Action Lead: Joint Requirements Oversight Council
  - Supporting Organizations: others as necessary
  - Timeline: Report process to the DAWG in May 2007. Provide an in-progress review to the DAWG in July 2007. Final results should be provided to the DAWG in October 2007 to help shape the FY 2010 planning guidance
- ❑ Present a definition of “Expanded JROC” charter, authorities and membership to the DAWG.
- Action Lead: Joint Requirements Oversight Council
  - Supporting Organizations: others as necessary
  - Timeline: Report expanded JROC membership definition to the DAWG in April 2007

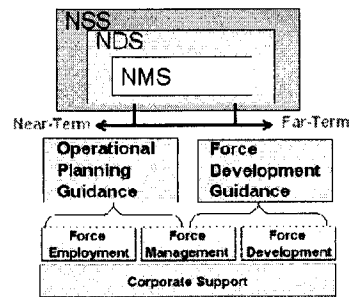
### **Strengthen Operational Availability Analysis and its Linkage to Strategic Guidance**

- ❑ Complete development of the Steady State Security Posture (SSSP), the surge scenarios and the Integrated Security Postures (ISP) by April 2007 to support OA-08 analysis. Present final OA-08 findings to the DAWG by December 2007. Determine how insights on force sufficiency (overmatch and gaps) and proficiency from OA-08 should inform next round of guidance and scenario development.
- Action Lead: PDUSD(Policy) for SSSP, surge scenarios & ISP, Joint Staff for OA-08
  - Supporting Organizations: Joint Staff & PA&E for SSSP, surge scenarios, & ISP, Policy and PA&E for OA-08
  - Timeline: present final SSSP, surge scenarios, & ISPs in April 2007. Conduct an in-progress review (IPR) for the DAWG in late March 2007. Present an IPR of OA-08 to the DAWG in August 2007 to include recommendations for FY2010 planning guidance. Produce final OA-08 analysis and present to DAWG in December 2007.

### **Build a Better Planning Guidance Methodology for FY 2010**

- ❑ Develop a construct for the FY 2010 planning guidance that defines outcome goals; provides direction on the balance of near-term and far-term priorities linked to the National Defense Strategy and the National Military Strategy; aligns to the general management decision lanes—Force Employment, Force Development, Force Management and Corporate Support; and includes top-level business management guidance. The guidance will incorporate capability priorities, gaps and preliminary OA results; and define metrics to be used by FE, FD, FM and CS to determine how well we are executing our strategic plan.

- Action Lead: PDUSD(Policy)
- Supporting Organizations: USD Comptroller, P&R, AT&L, PA&E, Joint Staff, Capability Portfolio Managers (CPMs) and Components
- Timeline: Present construct to the DAWG by April 2007 for implementation approval, with the intent to publish the FY 2010-2015 planning guidance in November 2007.



## **ACP 2—Portfolio Management**

**Statement of Expectation:** There is value added in the ability to view department activity through a capability portfolio lens. In certain capability areas (those with high joint value, but with no natural owner) there is value in establishing and monitoring an enterprise wide capability portfolio proponent.

This proponent, the capability portfolio manager (CPM), is responsible for advocating a balanced set of capabilities for a defined capability portfolio within a given resource constraint. CPMs will provide portfolio-specific guidance consistent with the Department's planning guidance to the Services and Defense Agencies. They will also be responsible for assessing the implementation of that guidance and serving as an independent voice in existing decision processes. These portfolio managers are afforded direct access to the Deputy's Advisory Working Group, Joint Requirements Oversight Council, Defense Acquisition Board, and other established forums to raise portfolio related issues when necessary.

To that end, the Portfolio Management experiments with Joint Command and Control, Joint Net Centric Operations, Battlespace Awareness, and Joint Logistics shall continue to evolve to fulfill this role. The determination to establish other portfolio managers will be made on a case by case basis, once the existing portfolios are operating effectively in this vision.

- ☐ Develop and present a fiscally informed Capability Portfolio Strategic Plan that derives portfolio strategic objectives from existing strategic guidance, projected capability mix, dependencies with other capability portfolios, performance metrics, and actions - including needed analysis - to meet objectives and mitigate risk. Address how changes to FY 2009 and beyond will be developed and proposed to better align resources to the capability portfolio strategic plan.
  - Action Lead: Capability Portfolio Managers (CPMs)
  - Supporting Organizations: Components, FCBs and others as necessary
  - Timeline: CPMs to present capability portfolio strategic plans to the DAWG in March 2007
- ☐ For the FY 2009 Program Review, CPMs will:
  - Have the authority to access and work with components to develop FY 2009 change proposals to ensure alignment to the Department's capability goals as articulated by the capability portfolio plan and submit independent change proposals if there is disagreement with the components.
  - Participate with PA&E in the assessment process of FY 2009 change proposals

- Present to the DAWG an independent portfolio assessment of the FY 2009 Program and potential programmatic issues to be addressed in the FY 2010 planning guidance
  - Action Lead: Capability Portfolio Managers (CPMs)
  - Supporting Organizations: Components, FCBs and others as necessary
  - Timeline: CPMs to work within established FY 2009 Program Review schedule
- ❑ For FY 2010: Provide capability planning guidance consistent with the Capability Portfolio Strategic Plan as part of the FY 2010 planning guidance. Propose other potential CPM authorities for the FY 2010 Program Review cycle. Present resource requirements needed to effectively operate as portfolio managers
- Action Lead: Capability Portfolio Managers (CPMs)
  - Supporting Organizations: Components, FCBs and others as necessary
  - Timeline: CPMs to present draft guidance and other potential authorities to the DAWG in October 2007.
- ❑ Capability Requirements, Solution Determination, Implementation Monitoring, CPM Performance Assessment, CPMs will:
- Work within the concept decision process and provide independent input to Concept Decision Tri-chair—USD (AT&L), VCJCS, D, PA&E, on capability issues as necessary.
  - Work within the established JCIDS process to include working with Functional Capabilities Boards in fleshing out requirements and provide independent input to the JROC on capability issues as necessary.
  - Monitor implementation of existing programs from a system of systems perspective to ensure alignment to cost, schedule, and portfolio strategy and provide an independent voice to the appropriate process owner if performance monitoring indicates a deviation from accepted risk levels.
  - Assess their management effectiveness and impact on decision processes against a set of criteria established by the Deputy Secretary on an annual basis and present the results to the DAWG starting in December 2007.
    - o IR&G will work with CPMs to clearly define the Deputy's performance criteria.

### **ACP 3—Decision Framework**

#### **Establish a Portfolio Framework and Integrated Management Information Strategy**

Statement of Expectation: The Department needs an overarching framework to create a common sense of value; allow strategy to outcomes linkage; and enable integrated management information and transparency across missions, functions, organizations and processes.

- ☐ Develop a capability portfolio framework, building on the Joint Capability Area re-baseline effort, which enables the translation of current and future operational goals into capabilities and links them to core Department management processes, functions and organizations.
  - Action Lead: IR&G and Joint Staff
  - Supporting Organizations: Components and other USDs
  - Timeline: Present the capability portfolio framework to the DAWG for approval in May 2007
- ☐ Using the DAWG approved capability Portfolio Framework develop experimental portfolio data displays for FY 2009 Budget Cycle to determine full-up implementation requirements approach for FY 2010 cycle
  - Action Lead: Comptroller, PA&E, AT&L
  - Supporting Organizations: Joint Staff and Services
  - Timeline: Complete experimental displays by February 2008 and present results to the DAWG
- ☐ Formally align and leverage independent data efforts across OSD, the Joint Staff and the Components to improve data integration, transparency and agility. Periodically report progress to the DAWG.
  - The initial brief should articulate collective strategic objectives and the way forward guiding the effort; it should also include an approach to incorporating the portfolio framework.
  - Subsequent briefs should include an articulation of:
    - o The information and data needs to support enterprise decision making and performance assessment;
    - o The authoritative data sources to support the information and data needs;
    - o An implementation plan for data transparency throughout the enterprise;
    - o A plan for effective management of enterprise data;
    - o Metrics (to include quality and timeliness) measure progress toward effort's strategic objectives; and
    - o Status of activities toward objectives

- Action Lead: Institutional Reform and Governance and Comptroller
- Supporting Organizations: P&R, AT&L, JS, PA&E, CIO/NII, BTA, Components and others
- Timeline: Report progress to DAWG on a quarterly basis starting in May 2007.

### **Explore Realigning Department Activity by the General Management Framework**

- ❑ Coordinate an external evaluation of the general management framework, what its implementation would look like, and the impact it would have on the Defense organization. Determine if aligning organizations, functions and processes in a general management framework could allow the Department to streamline—take work and layers out—create better linkage of strategy to outcomes, increase transparency and accountability, delegate authority and create an efficient delivery of capability to the joint warfighter in the near, mid and long term.
  - Action Lead: IR&G
  - Supporting Organizations: others as necessary
  - Timeline: Report to DAWG by July 2007



## **ACP 4—Process**

### **Experiment with Conducting Trades in an Integrated Capability Portfolio Framework**

Statement of Expectation: An established methodology should be developed to facilitate trades and manage risk within and across a portfolio construct. Instantiation of the methodology must be capable of facilitating multiple management structures—centralized to federated.

- ☐ Form a team to experiment with the concept of Integrated Capability Portfolio (ICP) decision management and support methodologies.
  - Address what processes, incentives, activities and linkages are needed to manage cross portfolio and within portfolio trades in a hybrid enterprise that supports both Centralized and Federated management and accountability structures.
  - Use the proposed Battle Management ICP—central management, and Force Application ICP (virtual)—federated management
  - Action Lead: USD(AT&L), PA&E and Joint Staff
  - Supporting Organizations: CPMs for Battle Management and the FA FCB for Force Application
  - Timeline: Present report to the DAWG by August 2007

### **Institutionalize the Department's Future Capability Investment Determination Process—Concept Decision**

Statement of Expectation: In order to balance the Department's future capability development (DOTMLPF) it is necessary to put greater emphasis on early evaluation of solutions to meet capability needs in terms of their priority, affordability, timing and feasibility. This is needed to better guide decisions on where to invest and divest, and maintain balanced portfolios for near and far term strategic needs and resource constraints.

- ☐ Institutionalize the concept decision process by examining the evaluation of solutions in terms of which Joint Capability Areas and strategic goals the solutions support, establishing criteria to measure process value, and identifying implementation needs.
  - Action Lead: USD (AT&L)
  - Supporting Organizations: JS/J-8, PA&E & Comptroller
  - Timeline: Report progress, criteria to measure process value, and implementation needs to DAWG in June 2007 and December 2007 (Feedback in December should also include a recommendation on how best to institutionalize the concept decision process.)

## **ACP 5—Strategic Resource Allocation**

### **Explore Options for DoD Capital Resource Allocation and Funding Stability**

Statement of Expectation: The Department must take a serious look at how it manages future capability investments (spanning DOTMLPF) and determine how best to create balance between stability in future force development and the need for flexibility in current operations. Options need to include increasing process and decision discipline and transparency.

- ❑ Create a team to evaluate financial management alternatives to improve stability for future capability investments, to include but not limited to:
  - The current capital account initiative, identify issues and implementation needs; and
  - Fiscal Guidance alternatives for FY 2010 that support strategic guidance and provide separate fiscal controls for future capability force development (DOTMLPF investments) and current operating expenses(force employment, force management, and corporate support)
    - Explore establishing a baseline for each using a full cost methodology and determine business rules for implementing fiscal controls and governing process for trades between the two controls
  - Action Leads: USD AT&L and USD Comptroller will co-lead a team, PA&E to lead Fiscal Guidance Alternatives
  - Supporting Organizations: PA&E and Components
  - Timeline: Define scope and intent of effort for the DAWG by March 2007, Report capital account status to DAWG by July 2007. Provide a set of recommendations and a way forward to the DAWG by November 2007

## **ACP 6—Performance Assessment and Feedback**

**Statement of Expectation:** The Department must fully incorporate performance assessment as part of its normal governance functions. Performance assessment activities should allow management at all levels to determine the degree of alignment to the Department's strategic goals, measure progress toward those goals, identify areas of risk, and inform and guide future decisions. The primary focus of performance monitoring should be to enable better internal decisions on strategic direction. External performance reporting requirements such as Budget Performance Integration called for in the Government Performance and Results Act (GPRA) should reflect our internal performance assessment model. Use of performance monitoring and assessment needs to be strengthened at the enterprise level and needs to be supported by cascading performance assessment activities at each level of the organization.

### **Institutionalize Performance Assessment in Department Governance**

- ❑ Establish lead advocates for each general management decision lane—FE, FM, FD, and CS—and direct them to report performance measures and risk that indicate how well we are executing the Department's strategic guidance (from their area of responsibility perspective) to the DAWG on a quarterly basis.
  - An integrated assessment of these quarterly measures and the implications they have on current strategic direction will be conducted by a joint team including Policy, Comptroller, Joint Staff and PA&E
  - Action Leads & Supporting Organizations: The Decision Lane Advocates are as follows (IR&G will provide scope of each general management decision lane in the initial kickoff meeting):
    - **Force Employment:** PDUSD(Policy) supported by USD(P&R) and Joint Staff develop metrics to monitor how well we are able to satisfy COCOM "demands" and how well COCOM activities satisfy DoD's strategic goals and objectives
    - **Force Management:** USD (P&R) and USD (AT&L) supported by the Joint Staff develop metrics to monitor how well we are managing the readiness and long-term health of our force—personnel management, training, recruiting and retention, facilities, healthcare, logistics, etc.
    - **Force Development:** USD(AT&L) supported by the Joint Staff develop metrics to monitor how well we are developing a force (capabilities and capacity) able to meet near, mid and far-term strategic goals
    - **Corporate Support:** (USD)AT&L, USD (COMPT), CIO, and D, ODAM develop metrics for their area of expertise to monitor financial, contract information management and other department management metrics

- Timeline: The first briefing to the DAWG, scheduled for March 2007, will consist of a presentation by each decision lane lead advocate of the proposed outcome metrics to be reported on a quarterly basis to the DAWG starting in April 2007.
- ❑ Existing performance assessment organizations (Comptroller, P&R, and DA&M) will work with the appropriate strategic guidance owners (Policy, PA&E and JS) to develop an enterprise-wide risk and performance management plan that will serve as a blueprint for improved strategy execution including a methodology for tracking, measuring, assessing, and reporting outcomes. This integrated effort is intended to connect governance, management, implementation, and execution through performance monitoring and assessment so that all Department activities fully support the Department's strategy.
  - The performance management plan will:
    - o Articulate how leadership will monitor progress towards and assess results against the Department's strategic outcome goals in near, mid and far-term activities in order to effectively inform future planning decisions;
    - o Track, assess, and report progress toward strategic goals and objectives in a transparent forum;
    - o Develop an effective mechanism for regularly informing senior leadership and others;
    - o Incorporate the General Management framework—Force Employment, Force Management, Force Development and Corporate Support;
    - o Support collaborative, iterative, and transparent information exchanges across the DoD enterprise;
    - o Meet external performance reporting requirements including the Defense Authorization and Appropriations Acts and Government Performance and Results Act.
  - In addition to the performance management plan, the action leads should also identify a permanent Department-wide manager for performance management and assessment
  - Action Leads: Comptroller, P&R and DA&M
  - Supporting Organizations: Policy, AT&L , Joint Staff, PA&E and Components
  - Timeline: Present a proposal to the DAWG in June 2007